

Village of Hillman testimony to:
Michigan Senate Energy & Technology Committee.

October 1, 2015

Thank you Senators for allowing me to talk about the Village of Hillman and Hillman Power Company (HPC).

First, the village of Hillman is a small community located in Northeast Lower Michigan on the east edge of Montmorency County with some of the Village spilling over into Alpena County. As of the last census Hillman had a population of 703 persons but is the central community for Hillman Township, the east half of Montmorency Twp and Rust Township along with much of Green Twp in Alpena County.

HPC has been a major component for the community for the last nearly thirty years. It provides 22 jobs at the power plant and all together up to 77 jobs in the community and throughout northern Lower Michigan. The economic impact to our area is considerable. Attached is an economic analysis of the impact on the Hillman community and surrounding area. The total is nearly \$22,000,000 and if we use the University of Maryland "Inforum" multiplier the impact is nearly \$26,000,000. This is a huge economic driver for our small area that includes work at machine shops, local parts store purchases and the impact on local businesses from employees.

The Village of Hillman itself benefits greatly from HPC. HPC pays the Village \$27,863 in property tax, \$23,410 in water and sewer and the Village provides cooling water to the plant at a rate of \$72,507 per year. That's a total of over \$123,000 of revenue just to the Village. If HPC shuts down the Village of Hillman would have to make steep cuts in services to residents and raise property taxes and water and sewer rates to make up for the shortfall. In the competitive nature of communities in the state, national and global market, this could hurt Hillman's ability to attract business and residents.

HPC provides Hillman Community Schools and the AMA-ESD substantial school taxes paying around \$80,914. This is a large amount of taxes that Hillman

Community Schools and the State of Michigan are benefiting from. HPC pays a total of \$139,709 in property taxes supporting roads, schools, the Sheriff's department, seniors, library and local governments. IF HPC was not in the Hillman Community a big whole would be created in the tax base. (Please see attached list of taxes paid.)

HPC needs to be able to negotiate a fair power contract in order to continue operations and to continue to benefit Hillman and the surrounding area. HPC provides an 18 megawatt of baseload (24/7) renewable energy. HPC helps Michigan's renewable portfolio standard, contributes to forest health and provides a disposal spot for waste such as wood.

Currently, the large utilities are talking about market rates for offering these type of facilities power contracts. Consumers and DTE know that co-generation plants cannot run on a market rate they are currently developing. First, if the market rate is based on natural gas, the current natural gas market is depressed. This will change when liquefied natural gas is exported and new power generation facilities are built using natural gas. Market slack will be taken out quickly and natural gas will range in the \$4-6.00 per MCF range. Further, when the large utilities build any new plant to replace the old plants that are shutting down due to obsolescence the rate to pay for these plants will be similar to the rate HPC needs to operate.

The Village of Hillman believes SB 437 and 438 will not contribute to HPC getting a fairly negotiated contract to provide Michigan with renewable power. The Hillman Village Council has passed a resolution asking that a new contract be negotiated in good faith. We hope this committee will support fair negotiations for HPC and power plants of this kind.

Thank you, David J. Post, Hillman Village Manager

HILLMAN POWER COMPANY

The Village of Hillman believes Hillman Power Company is a very important part of the Hillman area, and Northern Lower Michigan. A large amount of commerce is generated from the plant that spills over into the village.

We have calculated a rough estimate of the multiplier effect on Hillman and the surrounding area. Using the multiplier for manufacturing according to the “Manufacturers Alliance for Productivity and Innovation” from the September 2, 2014 article “The Competitive Edge; Manufacturing’s Multiplier Effect—It’s Bigger Than You Think,” the article claims \$1.48 in other services and production results from every dollar spent by the company. In fact, “Inforum” a consulting service from the University of Maryland, believes the number should be around \$1.92, but for this example we will use \$1.48.

The following is an example of the plants rough multiplier effect:

Fuel	\$ 4,145,954 X 1.48 = \$ 6,136,119
Wages and Benefits	1,674,013 X 1.48 = 2,477,539
Other O&M	<u>2,979,411 X 1.48 = 4,409,528</u>
Total Oper. Expenses	\$ 8,799,378 \$13, 023,186

That total amounts to nearly \$22,000,000 of economic activity from Hillman Power Company in Hillman, the surrounding area and Northern Lower Michigan. To put that in perspective, the Village of Hillman’s taxable value is \$19,397,619 for 2015.

If you used the Inforum multiplier, that number would be \$16,894,805. These numbers create a substantial impact in our area. The stores, machine shops and parts dealers need this extra activity to remain in business. Hillman Power Company’s impact can be seen through these numbers and the Village of Hillman needs Hillman Power to remain viable.

Hillman Power Company Property Taxes Paid

UNIT	TAXES PAID
Village of Hillman	\$ 27, 179.07
County Operating	14,223.10
Hillman School Oper.	49,660.70
Hillman School Debt	8,663.03
State Edu. Tax	16,553.57
County Roads	2,758.93
Senior 1	689.73
Library	1,655.36
Senior 2	689.73
Sheriff	2,758.93
Hillman Twp. Oper.	2,632.29
Hillman Twp. Fire	2,069.20
Hillman Twp. ALS	4,138.39
AMA-EDS Int School	590.13
AMA Charter	1,772.61
<u>AMA Extra Voted</u>	<u>3,674.34</u>
Total	\$139,709.11

Schools: \$80,914.38

WHEREAS, the Hillman Power's plant has a capacity of 18 MW, thereby requiring Consumers Energy to fulfill its PURPA obligations with respect to this plant; and

WHEREAS, as of this date, Consumers Energy has not renegotiated or renewed the Hillman Power plant's Power Purchase Agreement; and

WHEREAS, it is in the best interests of the Village of Hillman and its residents that the Hillman Power plant remain operational.

NOW, THEREFORE, BE IT HEREBY RESOLVED that the Village of Hillman, Michigan hereby memorializes its support for the Hillman Power Plant and encourages Consumers Energy to negotiate in good faith for a new Power Purchase Agreement with the Hillman plant in a timely manner and upon economic terms and conditions.

CERTIFICATION

I, Brenda South, do hereby certify that the foregoing constitutes a true and complete copy of a resolution duly adopted by the Village Council of the Village of Hillman at a regular meeting held on the 15th day of September, 2015.

I, further certify that the following Council members were present at the meeting: President Myron McIntire, Trustee Robert Tulgetske, Trustee Wilbur Funk, Trustee John Fitzgerald, and Trustee Natasha Achatz, and that the following members were absent: None.

I, further certify that President McIntire called for a roll call vote for support of the foregoing resolution: Trustee Tulgetske: Yea, Trustee Fitzgerald: Yea, Trustee Funk: Yea, Trustee Achatz: Yea, President McIntire: Yea.

I, further certify that there were no Council members in opposition of supporting the foregoing resolution.

Dated: September 15, 2015.



Brenda South,
Village of Hillman Clerk

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